

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
(317) 232-9855

FISCAL IMPACT STATEMENT

LS 6519

BILL NUMBER: SB 161

DATE PREPARED: Nov 26, 2001

BILL AMENDED:

SUBJECT: Affiliated Interests of Regulated Utilities.

FISCAL ANALYST: John Parkey

PHONE NUMBER: 232-9854

FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State

Summary of Legislation: This bill gives the Indiana Utility Regulatory Commission (IURC) broader access to the records of an affiliate of an electric or gas utility. The bill provides that in a case in which such a utility requests a change in its rates based on its costs for fuel or gas, the Utility Consumer Counselor (OUCC) or any party or intervenor in the proceeding may examine the books and records of any affiliate from which the utility purchases fuel or gas to determine the reasonableness of the cost of the fuel or gas.

This bill provides that at the time of a quarterly or annual examination of the records of an electric or gas utility, the Utility Consumer Counselor may also examine the records of an affiliate from which the utility purchases fuel or gas to determine the reasonableness of the cost of the fuel or gas.

The bill allows the IURC, in ascribing revenue to a utility seeking a fuel or gas cost charge, to ignore any corporate distinction between the utility and an affiliate providing fuel or gas to the utility. The bill provides that a contract between an electric or gas utility and an affiliate is not effective unless the IURC finds that the contract is in the public interest and the result of a transaction consistent with arm's length negotiations.

The bill allows the IURC to adopt rules concerning certain transactions between electric or gas utilities and affiliates. It also prohibits certain public utilities from providing certain subsidies to affiliates or unregulated activities.

Effective Date: Upon passage; July 1, 2002.

Explanation of State Expenditures: *IURC:* Increasing the Commission's jurisdiction to the affiliated interests of regulated gas and electric utilities and changing the method by which the Commission calculates adjustments for fuel and gas costs are not expected to have a significant administrative impact on the IURC.

OUCC: The bill allows the OUCC or another intervening agency to examine the books and records of any

affiliated interest from which the utility purchases fuel or gas to determine the price paid by the utility for the fuel or gas. Under current law, the OUCC only examines the books and records of the regulated utility.

Depending on the number of affiliated interests that the OUCC feels it would need to investigate, this bill could increase the OUCC's administrative costs. The costs associated with this additional investigative authority are not expected to surpass the resources currently available to the Counselor.

Background on IURC and OUCC Funding: The operating budgets of the IURC and the OUCC are funded by regulated utilities operating in Indiana. The IURC determines the rate at which to bill the utilities based on the two agencies' budgets, less reversions, divided by the total amount of gross intra-state operating revenue received by the regulated utilities for the previous fiscal year. Based on this formula, utilities are currently billed approximately 0.10% of their gross intra-state operating revenues to fund the IURC and OUCC. In FY 2001, fees from the utilities and fines generated approximately \$8.6 M.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.

Local Agencies Affected:

Information Sources: Indiana Utility Regulatory Commission; Office of the Utility Consumer Counselor.